

Message Text

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ACTION AID-59

INFO OCT-01 NEA-14 ISO-00 DODE-00 EB-11 IGA-02 SCI-06 L-03

ABF-01 CIAE-00 SWF-02 SS-20 DRC-01 COME-00 H-03 HEW-08

OMB-01 TRSE-00 CIEP-02 NSC-07 /141 W

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R 170845Z JUL 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3697

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E.O. 11652: N/A

TAGS: EAID, BG

SUBJECT: BDG REQUEST FOR EMERGENCY ASSISTANCE

REFS: A) DACCA 2845; B) STATE 137228; C) STATE 146146

BEGIN SUMMARY. BDG HAS PRESENTED DETAILED DOCUMENTATION DESIGNED SUPPORT RENEWED REQUEST FOR EMERGENCY ASSISTANCE. ANALYSIS WILL FOLLOW. USG RESPONSE TO EARLIER DEMARCHE REVIEWED WITH BDG. BDG CONTINUING APPROACHES TO OIL PRODUCING COUNTRIES BUT NOT OPTIMISTIC. PROGRESS REPORTED RE ESTABLISHMENT CONSORTIUM. END SUMMARY

1. DEPUTY CHAIRMAN PLANNING COMMISSION NURUUL ISLAM AND PC SECRETARY SYEDUZZAMAN PRESENTED TO AMBASSADOR AND SCHWARZWALDER ON JULY 16 BDG ANALYTICAL PAPER ENTITLED IMMEDIATE ADDITIONAL FOREIGN ASSISTANCE REQUIREMENT OF BANGLADESH. STUDY IS BEING GIVEN ON RESTRICTED BASIS TO BILATERAL DONORS AND INTERNATIONAL AGENCIES. (COPIES WILL BE FORWARDED TO ASIA/SA AND NEA/PAB.) MISSION ANALYSIS WILL FOLLOW WITHIN NEXT SEVERAL DAYS. ISLAM STATED STUDY DETAILS BDG FOREIGN EXCHANGE CRISIS PROBLEMS OVER NEXT 12-18 MONTHS WITH EMPHASIS ON IMMEDIATE SIX-MONTH PERIOD. ACTIONS REQUESTED BY DONORS INCLUDE: A) IMMEDIATE CASH TRANSFER; B) COMMODITY AID OVER AND ABOVE LIMITED OFFICIAL USE

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THAT ALREADY PLANNED; C) "BRIDGE FINANCING" UNTIL PROCEEDS

UN EMERGENCY FUND AVAILABLE; D) INCREASED FOOD AID; E) DIVERSION OF PROJECT AID TO COMMODITY AID; F) UNTYING OF COMMODITY AID; AND G) SIMPLIFICATION OF PROCEDURES.

2. IN PRESENTING PAPER, ISLAM STATED THAT THE ACUTE PROBLEMS OF LDCS EXACERBATED BY OIL AND COMMODITY PRICE INCREASES HAVE BEEN HIGHLIGHTED BY UN AND OTHER DONORS. DIAGNOSIS IS CORRECT BUT WHAT IS NEEDED NOW IS IMMEDIATE ACTION, ESPECIALLY FOR THOSE COUNTRIES LEAST ABLE TO OVERCOME THE PROBLEMS DISCUSSED IN THE UN CONFERENCE. (AT ONE POINT, ISLAM USED THE PHRASE "ON THE BRINK OF

COLLAPSE" TO DESCRIBE CURRENT BANGLADESH ECONOMIC SITUATION.) ACTION MUST INVOLVE EITHER: A) INSURING THAT PROCEEDS OF UN FUND ARE IMMEDIATELY AVAILABLE; OR B) DONORS TAKING BILATERAL ACTION AGAINST DATE WHEN FUNDS AVAILABLE. (MENTIONED IN THIS REGARD WERE RECENT COMMITMENTS OF NETHERLANDS AND FINLAND TO FOLLOW SWEDISH LEAD IN PROVIDING ADDITIONAL BILATERAL PROCEEDS OVER AND ABOVE ALREADY BUDGETED BILATERAL PROGRAM AS, IN EFFECT, FIRST TRACHE OF THEIR COUNTRIES' CONTRIBUTION TO UN FUND.)

3. AMBASSADOR SAID WE WOULD GIVE CAREFUL STUDY TO THIS REQUEST BUT NOTED THAT IT NECESSARILY OVERLAPPED WITH APPROACH THEY HAD MADE TO US AND OTHER DONORS IN JUNE FOR INCREASED ASSISTANCE. HE DREW ON SUBSTANCE OF REFS B) AND C) TO OUTLINE USG RESPONSE TO THAT DEMARCHE WHICH INCLUDES REPROGRAMMING OF RELIEF/REHABILITATION GRANT JUST CONCLUDED, GIVING HEAVIER EMPHASIS TO COMMODITY ASSISTANCE, AND HIGH PRIORITY ATTENTION, ESPECIALLY IN FIRST QUARTER OF FY 75, FOR TITLE I PL 480 ALLOCATIONS. HE ALSO NOTED NONAVAILABLE CCC CREDITS DUE TO MORATORIUM AND POSSIBLE ADDED COMPLICATIONS RE BANK QUARANTEE OF REPAYMENT IF CREDITS WERE AVAILABLE.

4. ISLAM WAS ASKED SPECIFICALLY WHAT ACTIONS HAD BEEN TAKEN RELATIVE TO OIL-PRODUCING COUNTRIES AND IMF WHICH SEEM LIKE BEST TWO SOURCES TO RESPOND WITHIN CONTEXT 6-12 MONTHS CRISIS. RE OIL-PRODUCING NATIONS, ISLAM ASSURED BDG "NOT SPARING ANY EFFORTS" TO OBTAIN ASSISTANCE, CITING LIMITED OFFICIAL USE

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VISITS MADE BY FOREIGN MINISTER, COMMERCE MINISTER AND HIMSELF. HOWEVER, HE SAID REALISTICALLY BDG CANNOT REPEAT CANNOT EXPECT SUBSTANTIAL ASSISTANCE SINCE: A) THESE COUNTRIES ARE NEW IN THE GAME" AND IT WILL BE IMPOSSIBLE FOR THEM TO ADJUST TO A NEW ROLE AS DONOR IN WHICH THEY FACE UP TO INTERNATIONAL RESPONSIBILITIES; AND B) GREAT BULK OF FUNDS TRANSFERRED FROM OIL-PRODUCING COUNTRIES ARE GOING TO SECURE INVESTMENTS IN DEVELOPED WORLD. ISLAM OPINED

THIS INCREASED INFLOW OF FUNDS SHOULD FACILITATE ABILITY DEVELOPED WESTERN NATIONS TO TRANSFER RESOURCES TO POORER COUNTRIES. RE IMF, ISLAM CRITICAL OF ITS PROCEDURES IN CONNECTION WITH EARLIER FINANCIAL RELIEF FROM OIL PRICES. PROCEDURES INVOLVED USE 1972 AS BASE (HARDLY A NORMAL YEAR FOR BANGLADESH), SHORT TETHER POLICY (I.E., REVIEWS AFTER THREE MONTHS BEFORE RELEASES MADE). HE ALSO SAID IMF ASSISTANCE GIVEN AS HIGH INTEREST RATE (7 PER CENT) AND THAT AMOUNT INVOLVED IS RELATIVELY SMALL. HE SAID NO ACTIVE DISCUSSION UNDER WAY FOR FUTURE IMF ASSISTANCE.

5. AMBASSADOR OBSERVED ALL THIS UNDERLINES AGAIN NEED FOR RAPID ESTABLISHMENT CONSORTIUM. ISLAM REPORTED RECEIPT LETTER FROM WORLD BANK PRESIDENT WHICH ACKNOWLEDGED HIS LETTER AND PROMISED QUICK DETAILED RESPONSE RE QUESTIONS OF COMPOSITION, ORGANIZATION AND TIMING.

6. IT DEVELOPED DURING THIS MEETING, INCIDENTALLY, THAT SECRETARY SYEDUZZAMAN WILL BE IN WASHINGTON ON IBRD BUSINESS NEXT WEEK. DEPARTMENT AND AID/W MAY WISH TO BE IN TOUCH WITH HIM.
BOSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, PETROLEUM, FOREIGN ASSISTANCE, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA03216
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740192-1009
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740742/aaaabkbq.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) DACCA 2845; B) STATE 137228; C) S, TATE 146146
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by boyleja>; APPROVED <26 MAR 2003 by ShawDG>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BDG REQUEST FOR EMERGENCY ASSISTANCE
TAGS: EAID, BG, (ISLAM, NURUAL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005